

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6700

BILL NUMBER: HB 1433

NOTE PREPARED: Dec 19, 2003

BILL AMENDED:

SUBJECT: Surety Bonds for State Public Works Projects.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that certain state public works contracts may not require a contractor or subcontractor to obtain a surety bond from a specific insurance or surety company, agent, or broker. The bill permits these public works contracts, to the extent consistent with law, to require a contractor or subcontractor to meet part or all of the bonding or insurance requirements for the project under a negotiated arrangement. It requires the Department of Insurance (DOI) to establish a program to provide surety technical assistance services to benefit historically underutilized businesses.

Effective Date: July 1, 2004.

Explanation of State Expenditures: If the DOI adds additional staff in order to establish a program to provide surety technical assistance services to benefit historically underutilized businesses, increased personnel costs are estimated at \$45,000 per year for one PAT II. The Department may also contract with insurance companies, surety companies, agents, or brokers to implement the program. The Department of Administration (DOA) and the Department of Transportation (INDOT) must also assist the DOI in the establishment and implementation of the program, which could result in additional administrative expenses for the DOA and INDOT.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. The DOI reverted \$421,000 in FY 2002 and \$836,000 in FY 2003. As of December 2003, the DOI had 17 full-time vacancies. Total salaries for the DOI equaled \$511,082. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative

actions.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance, Department of Administration, and the Department of Transportation.

Local Agencies Affected:

Information Sources: Greg Thomas, Deputy Commissioner, Department of Insurance, 232-2406.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.